THE ROLE OF THE COMPTROLLER OF THE NAVY IN THE ADMINISTRATION OF THE NAVY PAY SYSTEM

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PREFACE

The purpose of this paper is to set forth, in a general way, the role of the Comptroller of the Navy in the administration of the Navy Pay System. The role of the Comptroller of the Navy in the administration of this system is too frequently not totally recognized or fully appreciated.

The Comptroller's role concerns technical control[1] of the accounting and disbursing procedures and instructions governing the Navy Pay System as well as the administration of controls to insure that Navy disbursing officers are conforming to officially approved policies, procedures, and regulations.

This study avoids, whenever possible, the mechanics of the Navy Pay System; however, some detail is devoted to the format of the Military Pay Record because of its basic importance to the efficient operation of the Navy Pay System.

The opinions expressed herein are personal and do not reflect official opinions.

The assistance of the many officers and civilians in the Office of the Comptroller of the Navy who contributed background material for this paper is gratefully acknowledged.

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[1] "Technical control is the specialized or professional guidance exercised by an authority of the Naval Establishment in assigned technical matters": U. S., Department of the Navy, Bureau of Naval Personnel, Organization Planning for Naval Units, NAVPERS 18371, August 1955, pp. 3-6.

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INTRODUCTION

> With the enactment of Title IV, [of the National Security Act Amendments of 1949] the authority and responsibility for the Navy-wide functions of budgeting, accounting, statistical and progress reporting, internal audit, and the administrative organization structure and managerial procedures relating to those functions was vested in the Comptroller of the Navy. Much of this authority and responsibility had theretofore been vested in the Bureau of Supplies and Accounts. Consequently, a problem arose relating primarily to the method and timing of implementing changes essential to effectuating this new authority and responsibility.[1]

As one of the steps towards implementing Title IV,[2] the Secretary of the Navy, in June 1955, published an instruction which advised the Naval Establishment that effective July 1, 1955, the technical control over accounting and disbursing for military pay, allowances, travel and bonding of accountable officers would be transferred from the Bureau of Supplies and Accounts to the Comptroller of the Navy.[3] This transfer did not affect the Bureau of Supplies and Accounts' management

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[1] U. S., Department of the Navy, Office of the Secretary of the Navy, Management Control of Navy Regional Accounts Offices, Navy Accounts Disbursing Offices, and the Navy Finance Center, SECNAVINST 5430.43, November 6, 1958, p. 1.

[2] U. S., Congress, National Security Act Amendments of 1949, Title IV, Public Law 216, 81st Congress, 1st Session, 1949 (63 Statute 578).

[3] U. S., Department of the Navy, Office of the Secretary of the Navy, Responsibilities Relating to the Accounting and Disbursement of Military Pay and Allowances, SECNAVINST 7220.10, June 21, 1955.

control[4] of the Navy Regional Accounts Offices, the Navy Accounts Disbursing Offices, the Navy Officers Accounts Office, and the Navy Finance Center. These naval activities perform important functions in the operation of the Navy Pay System and will be discussed in detail in chapter IV.

In order to further implement Title IV[5]--and other related statutes, including Public Law 863[6]--the Secretary of the Navy, on November 6, 1958, assigned management control of the Navy Regional Accounts Offices, the Navy Accounts Disbursing Offices, the Navy Officers Accounts Office, and the Navy Finance Center to the Comptroller of the Navy. Selected officers and civilians on the staff of the Assistant Chief of the Bureau of Supplies and Accounts for Accounting and Disbursing, were at this same time transferred to the Office of the Comptroller of the Navy.[7] Thus the recent placement of these activities under the direct management control of the Comptroller of the Navy means that the Comptroller can directly exercise greater influence in the administration of the Navy

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[4]"Management control is the direction exercised in other than military matters over a unit of the naval shore establishment in routine administration and control of its local operating functions": U. S., Department of the Navy, Bureau of Naval Personnel, Organization Planning for Naval Units, NAVPERS 18371, August, 1955, pp. 3-6.

[5]U. S., Congress, loc. cit., Public Law 216.

[6]U. S., Congress, An Act to Improve Government Budgeting and Accounting Methods and Procedures, and for Other Purposes, Public Law 863, 84th Congress, 2nd Session, 1956.

[7]U. S., Department of the Navy, op. cit., SECNAVINST 5430.43.

Pay System.

It is through the Navy Pay System that hundreds of thousands of officers and men of the United States Navy and United States Naval Reserve receive timely payments for all amounts to which they are entitled. The expenditure of public funds in the military pay and allowance area amounts to several billions of dollars each year. It has been estimated that Navy expenditures for pay and allowances alone will approximate two and one-quarter billion dollars during the fiscal year 1959.[8] The administration of the Navy Pay System today, therefore, involves billions of taxpayers' dollars.

The Comptroller of the Navy is responsible for providing the guidance governing expenditures through the Navy Pay System and for insuring the integrity and effectiveness of the system. This is not an easy task for the military disbursing area, including pay and allowances, is governed by a myriad of public laws, decisions of the Comptroller General, and administrative publications. There are about two hundred different rates of pay for active duty personnel and about four thousand variations in pay for Navy retired personnel.[9] The military pay and allowance area is beset with special provisions, incentive features, qualifying requirements and baffling sets of circumstances.

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[8] U. S., Department of the Navy, Office of the Comptroller of the Navy, Navy Budget Digest, Fiscal Year 1959, November 12, 1958, p. 27.

[9] U. S., Department of the Navy, Bureau of Supplies and Accounts," Retired Pay Gets An Electronic Boost," Monthly Newsletter, August, 1958, p. 7.

It is important to note that the Chief of Naval Personnel, as well as the Comptroller of the Navy, has certain responsibilities pertaining to payments of pay and allowances, including travel allowances. These responsibilities have been clarified by the Secretary of the Navy as follows:

> A disbursing officer of the Navy is personally and pecuniarily responsible for the legality of payments made by him. He must determine (1) that there is legal and factual basis for the payment, (2) that the payment is substantiated as provided by law, Executive order, and departmental regulation, and (3) that the payment is made to the person entitled to receive it. A disbursing officer confronted with a prospective payment whether it be a payment to a military person, to a civilian, or to a contractor, must determine for himself the propriety of his payments. All payments made by a disbursing officer are subject to review and disallowance by the General Accounting Office. A disbursing officer is responsible for any illegal payments made because of his failure to take advantage of records from which reliable information may be obtained. It is therefore necessary that disbursing officers have access to official records from which facts can be verified and that custodians of official records furnish disbursing officers certifications of facts when local records are inadequate.
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> A basic Comptrollership responsibility is the reasonable propriety of payments made by Navy disbursing officers. The Comptroller of the Navy discharges this responsibility by issuing and interpreting instructions to disbursing officers and by giving technical direction to Navy authorities engaged in either on-site or post-audit activities. The field disbursing officer therefore looks to the Comptroller of the Navy for instructions concerning routine payments or for "best advice" concerning doubtful payments. These instructions may point out to him that factual determinations precedent to payments are made by other naval authorities. In the specific area of payments on account of military pay and allowances many factual determinations on which entitlement to pay rest are made by the command line often acting under instructions of the Chief of Naval Personnel.
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> A recognized responsibility of the Chief of Naval Personnel is the development of basic policy with respect to military pay and allowances. Furthermore, under existing law, the Secretary of the Navy has delegated to the Chief of Naval Personnel authority to make certain final determinations of fact which are not subject to review by the General Accounting Office. In the area of military pay and allowances such determinations are.. . .

The Comptroller of the Navy [italics mine] is the final authority within the Navy to evaluate all factors which bear upon an entitlement to military pay and allowances. To the extent possible without recourse to the General Accounting Office, he and Navy disbursing officers acting under his instructions determine entitlement.

The Chief of Naval Personnel [italics mine] and the command line make determinations of fact which affect entitlement to military pay and allowances. Most of these become a part of individual service records. The Chief of Naval Personnel is also responsible for providing to the Comptroller of the Navy and to disbursing officers necessary facts precedent to payment of pay and allowances as are available from personnel records, ship's logs, or other records of the Bureau of Naval Personnel. He will clarify orders and make administrative reviews of travel claims as provided by the Navy Travel Instructions and when requested by the Comptroller of the Navy.[10]

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[10] U. S., Department of the Navy, Office of the Secretary of the Navy, Clarification of Responsibilities-Entitlement to Payments of Pay and Allowances Including Travel, SECNAVINST 7220.23, May 14, 1957, pp. 1-3.

CHAPTER I

THE COMPTROLLER OF THE NAVY'S ORGANIZATION FOR ADMINISTERING THE NAVY PAY SYSTEM

Background

The Office of the Comptroller of the Navy was established by order of the Secretary of the Navy on June 1, 1950 pursuant to Title IV of the National Security Act Amendments of 1949 (63 Stat. 585; 5 U. S. Code 172). The Charter of the Comptroller of the Navy, promulgated by the Secretary of the Navy, prescribes the duties and responsibilities of that office.[1]

The Charter of the Comptroller of the Navy[2] delineates the specific duties and responsibilities of the Comptroller of the Navy and his four principal assistants: (1) the Deputy Comptroller, (2) the Assistant Comptroller, Director of Budget and Reports, (3) the Assistant Comptroller, Accounting and Finance, and (4) the Assistant Comptroller, Audit. (See Fig. 1)

In accordance with the current Charter of the Comptroller of the Navy, the Assistant Comptroller, Accounting and Finance, will:

> Exercise technical control over accounting and disbursing for military pay and allowances and travel allowances and over bonding of accountable officers.

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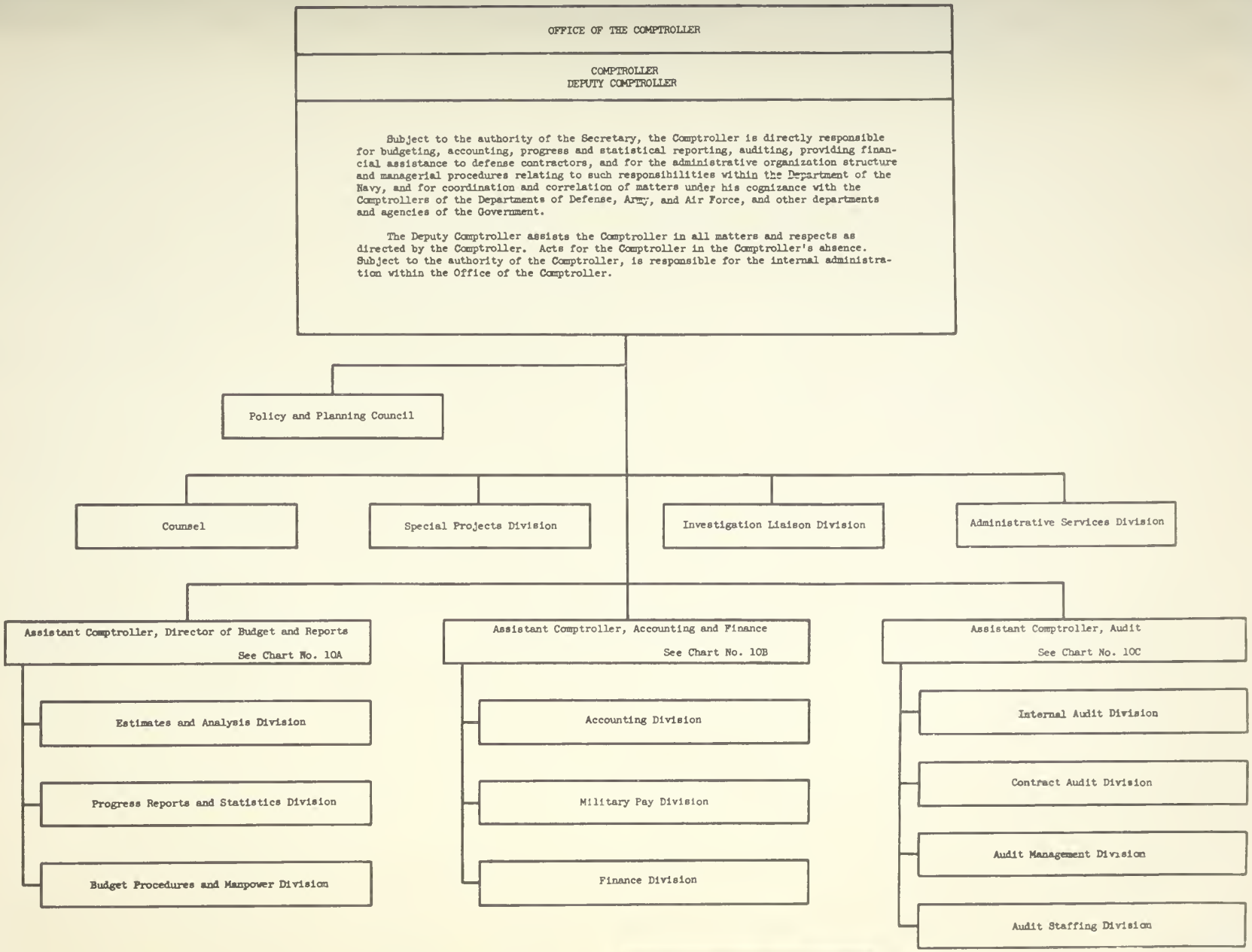
[1] U. S., Department of the Navy, Office of the Comptroller of the Navy, Navy Comptroller Manual, Vol. I, pp. 1-3.

[2] U. S., Department of the Navy, Office of the Secretary of the Navy, Charter of the Comptroller of the Navy, July 6, 1956.



Date: 21 August 1956	Approved: W. B. Franke	Title of Parent Office: Assistant Secretary of the Navy (Financial Management)	Title of Office: Office of the Comptroller of the Navy	Chart No. 10

FIGURE 1

Within a policy framework established by law, the Secretary, and other naval authorities to whom Secretarial delegations have been made, promulgate and interpret regulations, instructions, and procedures concerning accounting and disbursing of military pay and allowances and travel allowances; review the effectiveness of procedures so as to maintain integrity and improve efficiency of the Navy Pay System.

Propose new or modifying legislation concerning military pay and allowances and travel allowances and comment on such proposals initiated elsewhere.

Prepare or review requests for opinions of the Judge Advocate General or decisions of the Comptroller General concerning military pay and allowances and travel allowances.

Provide Navy representation on the Department of Defense committees on Military Pay Procedures and alternate Navy representation on the Joint Committee for Operation of the Uniform Services Contingency Option Act; maintain liaison with other governmental activities concerned with military pay, allowances, and travel.

Administer surety bonding of accountable personnel and provide support services and Treasury liaison for disbursing officers.[3]

The current Charter does not include the assignment of responsibilities pertaining to the management control of the Navy Regional Accounts Offices, the Navy Accounts Disbursing Offices, the Navy Officers Accounts Office, and the Navy Finance Center. However, the Assistant Comptroller, Accounting and Finance, has been assigned these responsibilities. Thus, the principal assistant responsible for the administration of the Navy Pay System is the Assistant Comptroller, Accounting and Finance.

The Office of the Assistant Comptroller, Accounting and Finance, has been organized into four divisions for administrative purposes. These divisions are: (1) the Accounting Division, (2) the Military Pay Division, (3) the Finance Division, and (4) the Operations Division. (See Fig. 2). The

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[3] Ibid., pp. 7-8.

OFFICE OF ASSISTANT COMPTROLLER,
ACCOUNTING AND FINANCE *

ACCOUNTING DIVISION

The Accounting Division is responsible for:

(a) Development and supervision of the execution of principles, policies, and procedures to be followed in fiscal, cost, capital, and operating property, and working and management fund accounting throughout the Department of the Navy;

(b) Prescription of the type and content of basic fiscal, cost, capital and operating property accounting records to be maintained by the bureaus and offices of the Department of the Navy;

(c) Development of uniform terminologies, classifications and procedures in the areas covered in paragraphs (a) and (b) above;

(d) Development of, and supervision of, the execution of policies and procedures relating to the obligation, expenditure, and collection of funds administered by the Department of the Navy;

(e) Development and preparation for publication of recurring and special summary reports of a fiscal, cost, capital, and operating property accounting nature as required.

MILITARY PAY DIVISION

The Military Pay Division is responsible for:

(a) Determining the entitlement to military pay, allowances and travel of all persons within the Naval Service and their dependents.

(b) Proposing new legislation or changes to existing legislation in the field of military pay, allowances and travel for the Naval Service and for making comments or recommendations on proposed legislation originating in other agencies of the Government.

(c) Initiating or reviewing requests for opinions from the Judge Advocate General or decisions from the Comptroller General necessary for the interpretation or application of laws and regulations with respects to military pay, allowances and travel.

(d) Providing disbursing support services to all naval persons accountable for public funds.

(e) Promulgating to the field regulations and instructions regarding the area of military pay, allowances and travel.

FINANCE DIVISION

The Finance Division is responsible for:

(a) Administration of advance payments, guaranteed loans, and progress payments;

(b) Coordination and arrangement for the financing of interdepartmental and intradepartmental programs;

(c) Coordination of the fiscal aspects of the dependents' school program;

(d) Authorization of the establishment of limited banking services at naval installations, subject to the approval of the Treasury Department;

(e) Effectuating the collection of debts arising from Navy contractual relationship.

*Operations Division not included.

Date: 21 August 1956	Approved: W.B. Franke	Title of Parent Office: Office of the Comptroller of the Navy	Title of Office: Office of Assistant Comptroller, Accounting and Finance	Chart No. 10B1

FIGURE 2

divisions most involved in the administration of the Navy Pay System are the Military Pay Division and the Operations Division.

The Assistant Comptroller, Audit, is to "perform audits, as required, of all matters having financial significance at all activities within the Naval establishment, and render reports setting forth recommendations for corrective action where necessary."[4] The Assistant Comptroller, Audit, therefore, through his audit function, contributes significantly to the administration of the Navy Pay System. This audit function, and its impact on the Navy Pay System, will be discussed in chapter V.

Military Pay Division

When the Comptroller of the Navy assumed direct technical control over the military pay function on July 1, 1955, the Military Pay Division was established in order to perform the tasks involved. In September, 1955, the Secretary of the Navy stated:

> One of the reasons for the recent establishment of the Military Pay Division in the Office of the Comptroller of the Navy is to provide at proper level for the technical control of military pay and allowances. That office will do all possible to isolate and correct pay trouble areas before they result in embarrassment or morale deterioration. It will clarify and simplify instructions within the law. It will assist commanding officers and disbursing officers in eliminating any technical pay and allowance problems.[5]

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[4] Ibid., p. 8.

[5] U. S., Department of the Navy, Office of the Secretary of the Navy, Command Responsibility Concerning Entitlement to Pay and Allowances, SECNAVINST 7220.13, September 12, 1955, p. 3.

The technical control responsibilities of this division will be discussed in detail in chapter III. The organizational structure of this division and the general responsibilities of the organizational components of the division are discussed *infra*.

The division is headed by a "Director" who has always been a senior Supply Corps officer. The present incumbent is a Captain, Supply Corps, United States Navy.

> The Director of the Military Pay Division is responsible to the Assistant Comptroller, Accounting and Finance, for the technical control of military pay, allowances and travel of all Naval personnel and their dependents; for promulgation and interpretation of regulations, instructions and procedures concerning military pay, allowances and travel; for review of the effectiveness of procedures so as to maintain and improve the efficiency and accuracy of the Navy Pay System; for proposing new or modifying legislation concerning military pay, allowances and travel, and comment on such proposals initiated elsewhere; for preparation or review of requests for decisions of the Comptroller General concerning military pay, allowances and travel; for providing Navy representation on the Department of Defense Committee on Military Pay and Allowances and alternate Navy representation on the Joint Committee for Operation of the Uniformed Services Contingency Option Act; for maintaining liaison with other governmental activities concerned with military pay, allowances and travel. Included is responsibility for such related matters as the Navy allotment and savings deposit programs.[6]

The Director, Military Pay Division, has two principal assistants who report directly to him: (1) an "Assistant Director" who is a civilian and (2) a "Chief Staff Officer" who is an officer of the United States Navy Supply Corps.

The Assistant Director supervises three operating branches: (1) the Entitlement and Procedures Branch, (2) the

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[6]U. S., Department of the Navy, Office of the Comptroller of the Navy, Organization Manual, Office of the Comptroller of the Navy.

Performance Review and Analysis Branch, and (3) the Special Services Branch.

The Entitlement and Procedures Branch has two sections: (1) the Travel Section, and (2) the Pay and Allowance Section. The Branch

> . . . is responsible for (1) the interpretation, (2) administration, and (3) implementation of laws, executive orders, decisions of the Comptroller General and the courts, regulations and directives pertaining to the entitlement to and payment of military pay, allowances, and travel allowances to persons within the naval service and their dependents, including retired personnel.[7]

The Performance Review and Analysis Branch also has two sections: (1) the Analysis Section, and (2) the Examination Section. This Branch

> . . . is responsible for maintaining the adequacy, integrity, and effectiveness of the Navy military pay system by (1) continually examining and analyzing the results of administrative examinations and of audits by the General Accounting Office, (2) studying problem areas and evaluating or initiating system improvements, (3) coordinating related functions and procedures with other offices, bureaus, departments, and components, and (4) maintaining adequate records reflecting the system condition.[8]

The Special Services Branch " . . . is responsible for the promulgation of entitlement and procedural changes and directives affecting military pay, allowances and travel, maintaining supervision of . . . the publishing of the 'Disbursing Digest' and research on special problems as required."[9]

The military personnel in the Military Pay Division

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[7] Ibid.

[8] Ibid.

[9] Ibid.

function in a staff capacity and report to the Director through the Chief Staff Officer. The military personnel maintain military liaison with the offices and bureaus of the Department of Defense and other government agencies, provide a military viewpoint to the operating branches, and work on special projects.

The organizational structure of the Military Pay Division is graphically presented in Fig. 3.

Operations Division

The Operations Division has only recently been established in the Office of the Assistant Comptroller, Accounting and Finance. One of the responsibilities assigned to this division is that of exercising management control over Navy Regional Accounts Offices, Navy Accounts Disbursing Offices, Navy Officers Accounts Office, and the Navy Finance Center. As previously mentioned, the Secretary of the Navy assigned management control responsibilities for these activities to the Comptroller of the Navy on November 6, 1958.

The Field Operations Branch in the Operations Division is actually responsible for the day-to-day operations required in connection with exercising management control. The implications of this responsibility will be developed in chapter IV; however, in brief, this responsibility extends to insuring that the activities mentioned have the necessary funds, personnel, and facilities to perform their assigned missions. The Field Operations Branch, at the present time, also develops instructions, methods, and procedures for (1) the administrative

MILITARY PAY DIVISION

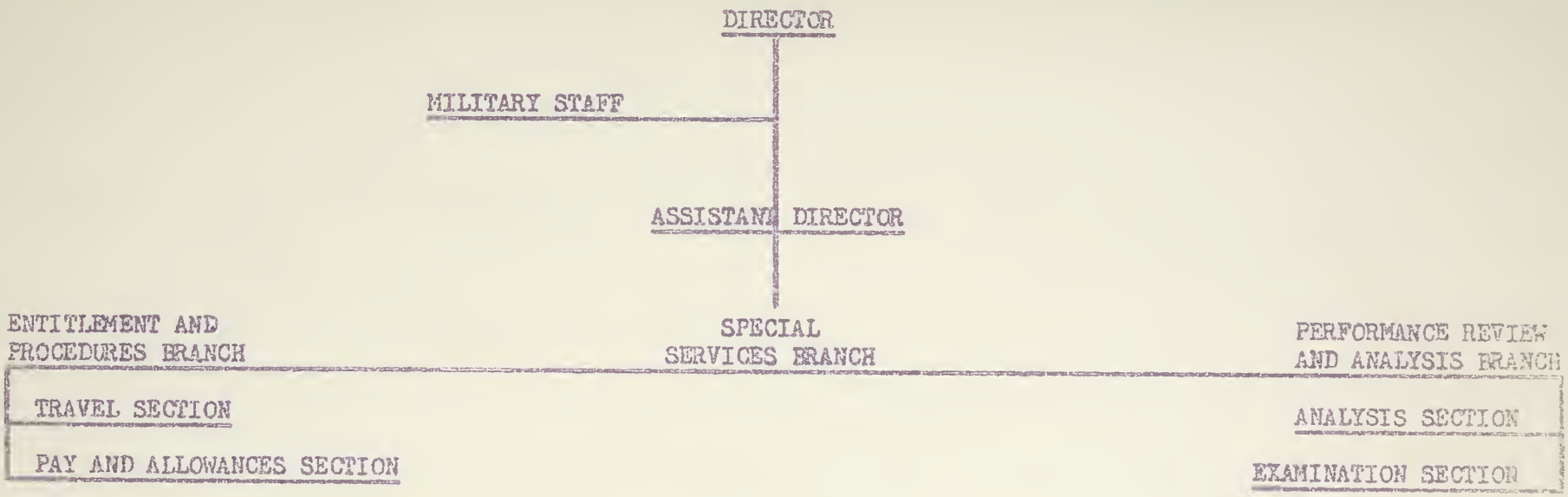

FIGURE 3

examination of military pay records, (2) the on-site examination of military pay records, and (3) the examination of retired and retainer pay accounts. The scope and purpose of these examinations are discussed in chapter V.

It is interesting to note that the Director, Operations Division, is a Captain, Supply Corps, United States Navy. The Head, Field Operations Branch, is also a senior naval officer in the United States Navy Supply Corps. The assignment of additional Supply Corps officers to the Office of the Comptroller of the Navy is in keeping with the spirit of a recent Secretary of the Navy instruction which stated:

> No reduction is contemplated in the number and utilization of the officers of the Supply Corps in the comptroller functions. To the contrary, because Supply Corps officers are specially qualified by training and experience in accounting, and related comptroller functions, there should be increased participation of Supply Corps officers in the Office of the Comptroller of the Navy, in consonance with personnel requirements.[10]

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[10] U. S., Department of the Navy, op. cit., SECNAVINST 5430.43, p. 2.

CHAPTER II

THE MILITARY PAY RECORD

A Military Pay Record is maintained for each active member and retired member of the naval service. One of the primary objectives of the Military Pay Division is to insure that each of these pay records is correctly maintained. Therefore, an understanding of the fundamental principles of the Military Pay Record is helpful in order to appreciate fully the role of the Comptroller of the Navy in the administration of the Navy Pay System.

A new pay record is opened for a service member upon reporting for active duty and on January 1st and July 1st of each year. A member's pay record is closed upon separation or on December 31st and June 30th of each year. Under normal circumstances, a pay record remains in use for six months and is regularly renewed semiannually as of January 1st and July 1st. It is important to note that a new pay record is opened on July 1st of each year--the beginning of a new fiscal year for the United States Government.

The Military Pay Record has been ingeniously designed to provide a maximum amount of information in a minimum amount of space. The pay record is printed on both sides. One side is known as the "account side" (see Fig. 4) and is used for entries pertaining directly to the service member's pay. The

other side of the pay record is known as the "reverse side" (see Fig. 5) and is used for miscellaneous notations. Both sides of the pay record have been compartmented into a total of forty-one spaces; thirty-seven spaces on the "account side" and four spaces on the "reverse side." Each space on the pay record is referred to as an "item" and each "item" is utilized for a different purpose. Figure 4 and 5 show these "items" numbered one through forty-one. Although all the items on a Military Pay Record may be thought of as recording information, some items are used to summarize previously recorded data and to record "balancing entries" at the end of a pay record period.

A brief explanation as to the use of each of the items on the Military Pay Record follows:

Item 1: The service member's name, service number, social security account number, and pay group number are recorded in this space.

Items 2 and 3: These items are available for special notations pertaining to (1) enlistment or reporting dates or, (2) to indicate some special status of the service member such as "Deserter," "Retired," "Missing," "General Court Martial Prisoner," "Disability," etc.

Item 4: The spaces in this item are used to record a description of credits, such as base pay, personal money allowance, basic allowance for quarters, clothing monetary allowance, sea and foreign duty pay, hazardous duty pay, etc.

Item 5: The spaces in this item are used to record the inclusive dates of credit entries.

Item 6: The elapsed time as determined from the inclusive dates shown in item 5 is recorded in days, or months and days, as applicable, in this item.

Item 7: The daily or monthly rate of the credit described in item 4 is recorded in this item.

Item 8: This item is not in current use on the pay records of naval personnel.

Item 9: The amount obtained by multiplying the elapsed time shown in item 6 by the rate shown in item 7 (or the amount of a "one-time" credit entry) is entered in this space.

Item 10: The symbol number of the disbursing officer responsible for starting the credit entry in item 4 is entered in this item.

Item 11: The symbol number of the disbursing officer responsible for stopping the credit entry in item 4 is entered in this item.

Item 12: When pay records are transferred from one activity to another, the amount of credit entries in item 9 are entered in words in this item. This item is also used by disbursing officers to authenticate credit entries.

Item 13: This item is used to record the fact that certain incentive pay vouchers have been received.

Item 14: When a pay record is closed and a new pay record is opened, any amount overpaid is entered in this item and the same amount is carried forward to item 32 of the newly opened pay record.

Item 15: When a pay record is closed, the amounts in item 9 are totaled and this total amount is entered in this

item. The total amount entered in this item must agree with the amount entered in item 36.

Item 16: When pay is computed, the amount due is entered in pencil in this item.

Item 17: This item is used for special pay record entries pertaining to an officer's travel advance or an enlisted man's leave rations.

Item 18: This item is used for recording selected information pertaining to allotments of pay and allowances.

Item 19: Amounts which are to be deducted from credits of pay and allowances because of (1) allotments, (2) sundry checkages, and (3) withholding tax deductions are entered in this item when the charge ceases, the checkage or deduction is completed, or when the pay record is closed.

Item 20: Under certain conditions, the symbol number of the disbursing officer who initially enters (1) an allotment, (2) a withholding tax entry, (3) a Federal Insurance Contribution Act tax entry, or (4) a sundry checkage is entered in this item thereby acknowledging responsibility for entering correct information.

Item 21: Under certain conditions, the symbol number of the disbursing officer who discontinues (1) an allotment, (2) a withholding tax entry, (3) a Federal Insurance Act tax entry, or (4) a continuing sundry checkage item is entered in this item.

Item 22: This item is used to record information pertaining to allotments of pay and allowances such as the allottee's name.

Item 23: This item is used to record selected federal income tax information such as the service member's monthly wage bracket, the number of dependents claimed for income tax purposes and the monthly withholding tax rate.

Item 24: The total amount of all charges for allotments which have been extended into item 19 is entered in this item.

Item 25: This item is used to record selected data pertaining to taxable pay earned and tax withheld. The information recorded in this space is used at the end of each calendar year (or at other appropriate times) to prepare a "Withholding Tax Statement," (Internal Revenue Service Form W-2).

Item 26: The service member's name and service number may or may not be recorded in this item. The use of this item for this purpose is optional; however, the use of this space facilitates the posting of withdrawals of pay in item 30.

Item 27: This item is used to record significant dates such as those pertaining to overpayments, advances in pay, etc.

Item 28: This item is used to record special checkages against pay and allowances such as (1) the excess cost of shipping household goods, (2) subsistence costs for periods of hospitalization, (3) overpayments pertaining to previous pay record periods etc.

Item 29: This item is not in current use on the pay records of naval personnel.

Item 30: This item is used to record payments made by either cash or check.

Item 31: This item contains a pay record "closing certificate." When a disbursing officer's symbol number has been entered in this item, the disbursing officer certifies that the account has been closed on the basis of entries included thereon and if a new pay account has been opened, he further certifies that continuing credits and charges and any amount due or overpaid has been transferred to a new pay account in the name of the service member.

Item 32: When a pay record is opened, any amount overpaid from the last account is shown in this item.

Item 33: This item is not in current use on the pay records of naval personnel.

Item 34: When a pay record is closed, the total amount of all cash and check payments is recorded in this item.

Item 35: When a pay record is closed, any amount due and unpaid is entered in this item. This same amount is carried forward to the new pay record and entered on line 6.

Item 36: When a pay record is closed, the total amount of all entries recorded in item 19--with the exception of (1) item 24 which contains a subtotal of allotment charges, and (2) item 29 which contains a subtotal of withholding tax deductions--is entered in this item. This total must agree with the total amount recorded in item 15 of the Military Pay Record. The pay record is said to be "in balance" when these two totals agree.

Item 37: If an enlisted man in the naval service has been issued a "Deposit Record Book" (Navy Comptroller Form 47),

the number of this book is recorded in this item.

Item 38: This item is on the "reverse side" of the pay record and is used to record the name of the service member's organization and other selected data such as the date of reporting to or the date of detachment from a duty station.

Items 39 and 40: These items are also on the "reverse side" of the pay record and are used to record miscellaneous information pertaining to entitlement to pay and allowances.

Item 41: This item is on the "reverse side" of the pay record and is not in current use on the pay records of naval personnel.

SN. PAY GP LAST NAME–FIRST NAME–MIDDLE INITIAL | 2 EAD OR DATE OF ENL | 3

DESCRIPTION OF CREDIT ITEMS	5 19 FROM	TO	6 PERIOD MONTHS	DAY	7 MONTHLY OR DAILY RATE	8 CODE	9 CREDITS	10 START SYMBOL	11 STOP SYMBOL	12 AMOUNT IN WORDS
AMOUNT UNPAID LAST ACCT. (From					)					

SAMPLE

J	F	M	A	M	J	J	A	S	O	N	D	14 AMT OVPD CARRIED FWD	50	16 NOTATION OF AMOUNT PAY DUE	17
												15 TOTAL	51		

ALLOTMENTS

ST PAY	MONTHS	EXPIRES	AMOUNT	J	F	M	A	M	J	J	A	S	O	N	D		19 DEBITS	20 START SYMBOL	21 STOP SYMBOL

SAMPLE

FOLD IN ON THIS LINE IF NECESSARY

THHOLDING TAX	TAX. INC./EXEMP.	RATE	24 TOTAL ALLOTMENTS	19

DATE	28 COLLECTIONS / CHECKAGES	29 TOTAL TAX WITHHELD	21
	WP. AM. USSH		23

32 AMT OVPD LAST ACCT	24	37 DEPOSIT BOOK NO	
33 TOTAL DEBITS		TOTAL ON DEPOSIT	
34 CASH CHECK PAYMENTS	26		
35 AMT UNPD CARRIED FWD	27		
36 TOTAL			

SYMPOL | D.O SIGNATURE

22

PERIOD	FICA WAGES	FICA TAX
BY THE CALENDAR YEAR		
1ST OP 3D QTR		
2D OR 4TH QTR		
TOTAL		
PRIOR CALENDAR YEAR		

25 PERIOD	TAXABLE INC	TAX
BY THE CALENDAR YEAR CREDITED THIS RECORD		
TOTAL		
PRIOR CALENDAR YEAR		

26

30 PAYMENTS

AMOUNT	D.O SYMBOL	

SAMPLE

REPLACES DD FORM 113 1 MAY 57 WHICH MAY BE USED

DD FORM MAY 57 113 (NAVY)

FIGURE 4

MILITARY PAY RECORD

FINDER PLEASE DROP IN NEAREST MAIL BOX

ORGANIZATION AND STATION	D.O. SYMBOL	REPORTED	DEPARTED

SUSPENSE ITEMS

POSTMASTER-MAIL TO:
MILITARY PAY DIVISION
ARMY FINANCE CENTER
FORT BENJAMIN HARRISON, INDIANA

MISCELLANEOUS INFORMATION

SN PAY GP. LAST NAME-FIRST NAME-MIDDLE INITIAL

DATE	PLACE TO CREDIT WITH *(For Army and Air Force only)*	DATE	PLACE TO CREDIT WITH *(For Army and Air Force only)*
D.O. SYMBOL		D.O. SYMBOL	

1958-45/972 ☆U.S. GOVERNMENT PRINTING OFFICE

FIGURE 5

CHAPTER III

TECHNICAL CONTROL RESPONSIBILITIES

The purpose of this chapter is to present the detailed technical control responsibilities of the Military Pay Division, Office of the Assistant Comptroller, Accounting and Finance. As previously defined, "technical control is the specialized or professional guidance exercised by an authority of the Naval Establishment in assigned technical matters."[1]

The Military Pay Division performs its technical control responsibilities in numerous ways. It is almost an impossibility to categorize the nature of these responsibilities; however, for purposes of emphasis and presentation, the division's technical control responsibilities have been classified into (1) those of a procedural nature and (2) those of a liaison nature. In some instances, the responsibilities could quite appropriately be classified in either category.

Procedural Nature

The Military Pay Division's technical control responsibilities of a procedural nature are:

1. To provide technical supervision of the Navy Pay

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[1] U. S., Department of the Navy, loc. cit., NAVPERS 18371.

System which includes a constant evaluation of the system's adequacy, integrity, and effectiveness. An example of this type of supervision is evidenced by a Comptroller of the Navy notice concerning aviation pay. This notice stated that a previous notice

> . . . established aviation pay as a major pay problem area and announced that as a part of the program to evaluate and correct the problem, special examinations would be held in this area. The data reported in this report were obtained in four examinations which were conducted by the Navy Regional Accounts Offices in the area of the particular station examined, with representatives of the Office of the Comptroller of the Navy observing and assisting in the examination. [At the time of this instruction, the Navy Regional Accounts Offices were under the management control of the Bureau of Supplies and Accounts.] There was a total of approximately 3,940 pay records of active duty enlisted personnel at the four stations on which aviation pay had been credited for one or more of the months July through November 1955. All of the aviation pay credited on 1,712 of these accounts was examined, including examination of Flight Certificates, Pilot's Report of Enlisted Flight Time and Training, Master Logs, "yellow sheets" and other related documents.[2]

After reviewing the 1,712 pay records involved, the Comptroller of the Navy reached several conclusions. One of these conclusions was:

> The [aviation pay] problem has not been eliminated and most of the types of errors that had previously been discovered by regular auditing or examination agencies were still found to exist; only the frequency of error has been reduced. The problem is centered around the administration of aviation pay for enlisted personnel under temporary flight orders. The major areas of error in connection with the problem lie in the actual preparation of the orders and the flight certificates and the maintenance of records to support the flight certificate.[3]

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[2]U. S., Department of the Navy, Office of the Comptroller of the Navy, Pay Problem Area- Aviation Pay, NAVCOMPTNOTICE 7220, February 4, 1956, p. 1.

[3]Ibid., p. 3.

2. To develop, initiate, and recommend improvements or modifications to the Nay Pay System in order to insure that the Navy maintains a system suitable for peace-time conditions yet flexible enough for mobilization and wartime operations. Therefore, whenever possible, simplicity is an objective of the system. An example of the Comptroller of the Navy's action to simplify the Navy Pay System's procedures is evidenced by a Comptroller of the Navy notice which states that:

> As a part of the Comptroller of the Navy's program to simplify the military pay system, a study was conducted to determine the need for the disbursing officer's signature in item 31. It was found that the signature served no useful purpose, since the symbol number preceded by the disbursing officer's alphabetic designator pinpoints the activity and the responsible disbursing officer, respectively. Accordingly, reference . . . will be revised to eliminate this requirement.[4]

3. To prepare replies to correspondence initiated by Navy disbursing officers, Navy Regional Accounts Offices, members of Congress, and other individuals and agencies when such correspondence requires the interpretation of laws, regulations, policies, Comptroller General and court decisions, pertaining to military pay and allowances.

4. To determine from correspondence and inquiries those pay areas which need further clarification. Sometimes, through faulty communications, instructions are issued which are incomplete or ambiguous and which create doubt as to entitlement to pay and allowances.

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[4]U. S., Department of the Navy, Office of the Comptroller of the Navy, Elimination of Disbursing Officer's Signature When Closing Military Pay Records, NAVCOMPTNOTICE 7220, May 27, 1958.

5. To review reports received by the Comptroller of the Navy such as courts-martial proceedings, courts of inquiry, reports of boards of investigation, and inspection and audit reports which concern the Navy Pay System. These reports are analyzed to locate system deficiencies or weaknesses. Recommendations are often initiated to preclude the recurrence of the irregularity and to prevent fraud.

6. To receive, examine, analyze, and maintain records of the results of administrative examinations and General Accounting Office audits of Navy military pay, allowances, and travel. (Chapter V includes a discussion about the administrative examination of military pay records).

7. To develop and disseminate procedural regulations and interpretations of entitlement to pay and allowances, including travel allowances. It is interesting to note that the approval of the Secretary of Defense is required prior to implementing Department of the Navy regulations pertaining to entitlement to military pay and allowances (other than travel allowances). This requirement exists because of a public law which states that

> no regulation under this Act, or any other law relating to pay and allowances of military personnel, shall be prescribed by the Secretary of a military department within the Department of Defense, relating to the pay and allowances of members of the Armed Forces under such military departments unless such regulations be first approved under procedures prescribed by the Secretary of Defense.[5]

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[5] U. S., Congress, An Act to Provide for the Relief of Certain Female Members of the Air Force and for Other Purposes, Public Law 272, 85th Congress, 1st Session, September 2, 1957.

Procedural regulations and interpretations are promulgated by both official and unofficial means. Comptroller of the Navy official publications used for this purpose are:

(a) Comptroller of the Navy Instructions and Notices: For example, a Comptroller of the Navy instruction was used to change the method of paying "dislocation allowance" from a pay record entry to a public voucher payment.[6]

(b) Navy Comptroller Manual, Volume IV, Chapter 4: This publication contains detailed instructions concerning the mechanics of the Navy Pay System. Procedural instructions for approximately fifty major subject areas such as "Uniform Allowances," "Savings Deposits," "Pay Records," and "Claims for Pay and Death Gratuity," are included in this volume. This publication and the Navy Travel Instructions are the Navy disbursing officer's principle procedural guides.

(c) Navy Travel Instructions: This publication contains detailed instructions and procedures pertaining to the payment of travel allowances, personnel transportation costs, and per diem.

Unofficial organs frequently used to disseminate information pertaining to pay and allowances, including travel are:

(a) The Disbursing Digest: This is a technical periodical published monthly by the Office of the Comptroller of the Navy. The Disbursing Digest is extremely popular because it is

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[6] U. S., Department of the Navy, Office of the Comptroller of the Navy, Payment Procedure for Dislocation Allowance, NAVCOMPTINST 7220.9, June 11, 1958.

easily read and includes suggestions for disbursing officers to assist them from making payments in error. The timely suggestions highlighted in this periodical have undoubtedly precluded the erroneous expenditure of thousands of dollars.

(b) The Navy Comptroller Review: This is a professional periodical published monthly by the Office of the Comptroller of the Navy. The Navy Comptroller Review presents varied articles dealing with comptrollership in the Navy.

(c) The Monthly Newsletter: This is a Bureau of Supplies and Accounts publication known as the "magazine of the Navy Supply Corps." The Monthly Newsletter is another excellent medium because a copy of this magazine is sent to each Supply Corps officer on active duty. In general, in the United States Navy, only officers of the Supply Corps are assigned to disbursing duty.

(d) All Hands: This is a monthly magazine published by the Bureau of Naval Personnel for members of the United States Navy and Naval Reserve. This magazine is very popular and widely read by Navy personnel.

(e) The Navy Times: This is a commercial newspaper which is Navy oriented for circulation among Navy clientele.

8. To determine the impact of electronic data processing equipment upon the Navy Pay System. The ability of electronic data processing equipment to perform payroll operations is an established fact. On two occasions, applications of such equipment at the Navy Finance Center were overwhelmingly successful. As a result, the installation of a large scale computer at the

Navy Finance Center has been tentatively approved within the Navy. The Military Pay Division recently conducted a preliminary study to determine the feasibility of extending the utilization of electronic data processing equipment to the Navy Pay System. This study concluded that:

> The centralized-mechanized payment from a single activity for Naval Reserve personnel in a drill pay status is feasible; it would provide significant economies over our present system; and it would provide valuable experience for the application to Navy active duty personnel.
>
> The payment of all pay and allowances from a single central point is not considered feasible at the present time.
>
> A system of centralization-mechanized master pay-record keeping and MPN [Military Personnel, Navy] appropriation accounting plus centralized partial payments to afloat personnel, and centralized payment of allotments combined with a system of reduced record-keeping on a regional area basis and decentralized payments to afloat personnel by a normal pay system appears feasible.
>
> Maximum benefits from an EDP [electronic data processing] military pay system will require full integration with the Bureau of Naval Personnel Manpower Information System for personnel administration.
>
> There is a joint interest involved in the military pay area shared by the Marine Corps, Bureau of Naval Personnel, and the Comptroller of the Navy.[7]

Liaison Nature

The Military Pay Division, in performing its responsibilities, maintains liaison with bureaus and offices of the Navy Department, the Department of Defense, and other governmental agencies concerning matters of military pay and allowances. Some of the individuals and organizations with which the division is in frequent contact are:

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[7] "Report of the Comptroller of the Navy on Application of Electronic Data Processing to the Military Pay System," n.d., (Typewritten).

1. The House of Representatives and the Senate: The Military Pay Division sends a representative to "The Hill" to observe and report on the conduct of all open hearings pertaining to military pay bills. Personnel of the division also review the Congressional Record to assure military pay items are brought to the attention of appropriate authorities. Copies of proposed legislation affecting military pay and allowances are obtained for detailed review.

2. The Chief of Legislative Liaison, Office of the Secretary of the Navy: The division initiates recommendations and furnishes comments for the Chief of Legislative Liaison on new legislation or changes to existing legislation pertaining to military pay and allowances and the effect of such legislation on entitlement and procedures.

3. The Comptroller General of the United States: All requests by the Navy for decisions of the Comptroller General of the United States which pertain to military pay and allowances are either prepared or reviewed by the Military Pay Division. There is also close liaison with the General Accounting Office relative to the entitlement and procedural instructions being issued which affect military pay and allowances. General Accounting Office representatives are permanently assigned to the Navy Finance Center to conduct audits of pay records and vouchers substantiating disbursements. The Comptroller General submits periodic reports to the Congress on the audit of Navy disbursing officer's accounts.

An example of effective liaison between the General Accounting Office, the Bureau of Naval Personnel, and the Office

of the Comptroller of the Navy follows:

> Many members, upon a permanent change of station, were being misdirected and were required to perform additional travel in order to report to their new duty stations. . . . We [General Accounting Office] reported this matter to the Deputy Comptroller of the Navy and recommended that personnel requisitions from fleet commanders include the scheduled movements of the vessels. In October 1957 the Bureau of Naval Personnel issued revised instructions consistent with our recommendation. This action should result in substantial savings in connection with expenditures for travel of Navy members.[8]

4. The Treasurer of the United States: There is liaison with the Treasurer of the United States pertaining to the United States Government "checking accounts" maintained by individual Navy disbursing officers. Procedures pertaining to the preparation of United States Treasury Checks and the reconciliation of the accounts of Navy disbursing officers are illustrative examples which require liaison.

5. The Chief of Naval Personnel: There is constant liaison with the Chief of Naval Personnel pertaining to military pay matters. This is to be expected in that the Chief of Naval Personnel has been assigned responsibility for the administration of the appropriation "Military Personnel, Navy," and, in addition, exercises technical control over the preparation of military pay orders which attest that certain requirements have been met affecting entitlement to pay and allowances.

The Military Personnel Division provides technical advice and guidance to the Chief of Naval Personnel in the

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[8] U. S., General Accounting Office, Comptroller General of the United States, Report to the Congress of the United States, Audit of the Accounts of Navy Disbursing Officers, Fiscal Years 1956 and 1957, November 1958, pp. 12-13.

development of personnel procedures and practices affecting entitlement to military pay and allowances. Thus the Comptroller of the Navy and the Chief of Naval Personnel collaborated in the development of "Project Paymate" which involves the use of the "Personnel Diary" (Naval Personnel Form 501) in lieu of certain pay record vouchers. The objective of "Project Paymate" is "to reduce clerical workloads and disbursing errors, and to eliminate duplication of paper work through integration of disbursing, personnel accounting, and service record keeping instructions."[9]

Upon request, the division also provides technical guidance to the Chief of Naval Personnel pertaining to the training of potential Navy disbursing officers at the United States Navy Supply Corps School, Athens, Georgia. This same type of technical guidance is provided for the Disbursing Clerks Schools at the United States Naval Schools Command, Newport, Rhode Island, and the United States Naval Training Center, San Diego, California. These schools are under the management control of the Chief of Naval Personnel. The technical guidance provided usually extends to recommending subjects to be included in the curriculum and areas to be emphasized during training.

In collaboration with the Navy Finance Center, the Military Pay Division furnishes certain statistical information to the Chief of Naval Personnel to be used in budgeting for the appropriation "Military Personnel, Navy."

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[9]U. S., Department of the Navy, Bureau of Naval Personnel and Office of the Comptroller of the Navy, Project Paymate, BUPERS NOTICE 1085, December 4, 1958, p. 1.

6. The Military Pay and Allowance Committee: A naval officer from the Military Pay Division represents the Comptroller of the Navy on the "Military Pay and Allowance Committee." This is a Secretary of Defense committee composed of one member from each of the services to (1) review and approve all service regulations concerning entitlement to pay and allowances of military personnel prior to issuance by the military departments and (2) to clear all requests for decisions submitted to the Comptroller General of the United States.[10]

7. The Commandant, United States Marine Corps: Whenever possible, the Military Pay Division cooperates with the Commandant, United States Marine Corps, to provide uniformity between the Navy and Marine Corps Military pay systems.

8. Department of Justice: The Military Pay Division furnishes recommendations and comments to the Department of Justice through the Judge Advocate General of the Navy on suits against the United States in the Court of Claims and other Federal Courts involving military pay and allowances.

9. The Navy Regional Accounts Offices, the Navy Accounts Disbursing Offices, the Navy Officers Accounts Office, and the Navy Finance Center: The Military Pay Division provides technical guidance to these naval activities which are new under the management control and technical control of the Comptroller of the Navy. For example, the division might furnish guidance

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[10] U. S., Department of Defense, Office of the Secretary of Defense, Procedures for the Approval of Regulations Pertaining to Military Pay and Allowances, Department of Defense Directive 5154.13, May 1, 1958.

in matters pertaining to the payment of claims, the balancing and payment of Federal Withholding and Federal Insurance Contribution Act taxes, and the settlement of the pay accounts of deceased naval personnel.

CHAPTER IV

MANAGEMENT CONTROL RESPONSIBILITIES

The purpose of this chapter is to present the detailed management control responsibilities of the Field Operations Branch, Operations Division, Office of the Assistant Comptroller, Accounting and Finance. As previously defined, "management control is the direction exercised in other than military matters over a unit of the naval shore establishment in routine administration and control of its local operating functions."[1]

Naval Activities

When the Secretary of the Navy assigned management control of Navy Regional Accounts Offices, Navy Accounts Disbursing Offices, the Navy Officers Accounts Office, and the Navy Finance Center to the Comptroller of the Navy, the Comptroller was, in effect, assigned the responsibility of managing twenty-seven naval activities. Table 1 lists, by types of activities, the locations of the shore establishments involved.

An elaboration of the detailed functional tasks of the naval activities listed in Table 1 would necessitate a detailed presentation of the mechanics of the Navy Pay System. It is not necessary to know the detailed functional tasks of these activities in order to appreciate the role of the Comptroller of the

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[1]U. S., Department of the Navy, loc. cit., NAVPERS 18371.

Navy in the administration of the Navy Pay System; however, at a minimum, the reader should be acquainted with the mission of each type of activity. These missions are as follows:

Location of Navy Regional Accounts Offices, Navy Accounts Disbursing Offices, the Navy Officers Accounts Office, and the Navy Finance Center.

Navy Regional Accounts Offices	Navy Accounts Disbursing Offices
Boston, Massachusetts.	
Brooklyn, New York.	Boston, Massachusetts.
Cleveland, Ohio.	Charleston, South Carolina.
Great Lakes, Illinois.	Great Lakes, Illinois.
Norfolk, Virginia.	Guam, Mariana Islands.
Oakland, California.	Key West, Florida.
Pearl Harbor, Territory of Hawaii.	Long Beach, California
Philadelphia, Pennsylvania.	New Orleans, Louisiana.
San Diego, California.	Newport, Rhode Island.
Washington, District of Columbia.	New York, New York.
	Norfolk, Virginia.
	Philadelphia, Pennsylvania.
	San Diego, California.
	San Francisco, California.
	Seattle, Washington.
	Washington, District of Columbia.

Navy Officers Accounts Office

Washington, District of Columbia.

Navy Finance Center

Cleveland, Ohio.

TABLE 1

Navy Regional Accounts Offices: "For the geographical area served by each, in general, pay dealer's bills; examines and consolidates disbursing returns; audits and consolidates stores returns; examines military pay records; . . . performs accounting functions; perform such other functions as may be assigned by the Comptroller of the Navy."[3]

Navy Accounts Disbursing Offices: "Maintain accounts of, and make payments to personnel of the regular Navy and Naval Reserve on active duty and training duty, and personnel of assigned Organized Naval Reserve Units; prepare and pay military and civilian travel claims and other miscellaneous public vouchers; receive miscellaneous cash collections; issue transportation requests and meal tickets as directed; settle accounts of disestablished activities as directed; perform such other functions as may be assigned by the Comptroller of the Navy."[4]

Navy Officers Accounts Office: "Maintain pay accounts of and make payments to naval officers on duty in the Navy Department and other assigned activities in the Washington [District of Columbia] area; issue pay checks to civilian personnel of the Navy Department, Office of the Secretary of Defense and Headquarters, U. S. Marine Corps; perform such other functions as may be assigned by the Comptroller of the Navy."[5]

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[3]"Mission of U. S. Navy Regional Accounts Offices," proposed Comptroller of the Navy instruction, n.d., (Typewritten).

[4]"Mission of the U. S. Navy Accounts Disbursing Offices," proposed Comptroller of the Navy instruction, n.d., (Typewritten).

[5]"Mission of the U. S. Navy Officers Accounts Office," proposed Comptroller of the Navy instruction, n.d., (Typewritten).

Navy Finance Center: "To pay allotments and issue U. S. Savings Bonds for all Navy personnel; administratively examine accounting entries on closed pay records and maintain accounting records; assist in settlement of accounts of Navy disbursing officers and make proper disposition of discrepancy notices; maintain and pay the accounts of all retired and Fleet Reserve members; operate a data processing service center for the Comptroller of the Navy; perform such other functions as may be assigned by the Comptroller of the Navy."[6]

A comparison of the missions described supra with the missions of these same activities when under the Management control of the Chief, Bureau of Supplies and Accounts reveals only one significant change. The change is that the Navy Finance Center has been assigned the additional mission of operating a data processing service center for the Comptroller of the Navy. This data processing center is intended to be an electronic data processing center.

Management Functions

Chapter I indicated, in summary form, that the management functions pertaining to management control of the Navy Regional Accounts Offices, Navy Accounts Disbursing Offices, the Navy Officers Accounts Office, and the Navy Finance Center extended to insuring that these activities have the funds, personnel, and facilities necessary to perform their missions.

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[6] "Mission of U. S. Navy Finance Center," proposed Comptroller of the Navy instruction, n.d., (Typewritten).

Each of these elements--funds, personnel, and facilities--will be further examined.

Funds: The naval activities listed in Table 1 were required to submit their allotment requests for the third and fourth quarters of the fiscal year 1959 to the Comptroller of the Navy in lieu of the Chief, Bureau of Supplies and Accounts. Thus, the Comptroller of the Navy assumed allotment accounting responsibilities for these activities on January 1, 1959.

The comptroller of the Navy budgeted for and justified the funds for the Navy Regional Accounts Offices, Navy Accounts Disbursing Offices, the Navy Officers Accounts Office, and the Navy Finance Center commencing with the Navy budget for the fiscal year 1960. In addition, the Comptroller is now required to fund for (1) the bonding of Supply Corps officers, (2) losses due to the foreign rate of exchange, and (3) defalcation losses in the accounts of Navy disbursing officers. The amount of funds involved is significant. The Comptroller of the Navy has asked the Congress to appropriate approximately sixteen million dollars in the appropriation "Service-Wide Supply and Finance, Navy" for the operation of these field activities during the fiscal year 1960.[7]

Each of the twenty-seven activities listed in Table 1 must get the approval of the Director, Operations Division, prior to expending funds on capital expenditures in excess of

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[7]Personal interview with LCDR T. C. Fowler, SC, U. S. Navy, Field Operations Branch, Operations Division, Office of the Assistant Comptroller of the Navy, Accounting and Finance, March 2, 1959.

$500.00. The Director's approval must also be obtained for expenditures under $500.00 when the items to be procured are not on an activity's authorized allowance list.[8] Thus, a rather stringent control is maintained on the use of funds for capital expenditures and on funds expended for other than allowance list items.

Personnel: Within a total personnel ceiling established by the Secretary of the Navy, the Operations Division establishes a personnel ceiling for each of the twenty-seven naval activities listed in Table 1. There were seventy-eight Supply Corps officers, one-hundred and ninety enlisted personnel and over three thousand civil service employees assigned to these naval activities when assigned to the management control of the Comptroller of the Navy.[9] Whenever an activity wishes to establish a government position which requires a civil service grade of twelve or above, the Operations Division must authorize the position. However, the Commanding Officer or Officer-in-Charge of the naval activity concerned is responsible for the selection of an employee for the position.

One interesting agreement contained in an unpublished memorandum signed by the Comptroller of the Navy and Assistant Secretary of the Navy (Financial Management), Chief, Bureau of Supplies and Accounts, and the Under Secretary of the Navy,

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[8] Ibid.

[9] "Memorandum of Agreement Covering the Transfer of Certain Functions and Responsibilities from the Bureau of Supplies and Accounts to the Office of the Comptroller of the Navy," the Comptroller of the Navy and Assistant Secretary of the Navy (Financial Management), Chief, Bureau of Supplies and Accounts, and the Under Secretary of the Navy, n.d., p. 3., (Mimeographed).

states that "the Commanding Officer of the Navy Finance Center, and the Officer's in Charge of the Navy Regional Accounts Offices, Navy Accounts Disbursing Offices, and the Navy Officers Accounts Office, will continue to be military personnel."[10] Apparently, the intent of this agreement is to protect the vested interest of officers of the Navy Supply Corps; however, the memorandum does not specifically state that the Commanding Officer of the Navy Finance Center and the Officers'-in-Charge of the other activities mentioned shall continue to be military personnel of the Navy Supply Corps.

Facilities: The Operations Division is responsible for insuring that the facilities of the activities listed in Table 1 are adequate. This is done through field trips to these activities and by reviewing and analyzing work measurement data. Work measurement data is one of the principle methods used by the division to evaluate the adequacy of facilities and requests for funds.

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[10] Ibid., p. 2.

CHAPTER V

INTERNAL CONTROLS

In a report to the Congress, the Comptroller General of the United States stated that "audits performed on a selective basis by the General Accounting Office and the Department of the Navy in fiscal years 1956 and 1957 disclosed overpayments of approximately $3,500,000. Our General Accounting Office audit disclosed overpayments approximating $2,000,000 and the Navy found overpayments amounting to about $1,500,000."[1] The dollar amounts involved are large; however, the Navy's expenditures for pay and allowances approximate two and one-quarter billion dollars a year. Therefore, the three and one-half million dollars disclosed as overpayments in the two fiscal years 1956 and 1957 is approximately .08% of the total expenditures for pay and allowances during these two fiscal years.

The amounts paid in error emphasize the necessity for the Comptroller of the Navy to maintain effective internal controls over the Navy Pay System. This chapter will briefly discuss the four principal programs used by the Comptroller to appraise and evaluate the effectiveness and integrity of the system. These programs are: (1) the administrative examination

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[1] U. S., General Accounting Office, op. cit., p. 14.

of military pay records, (2) the on-site examination of military pay records, (3) the Navy Area Audit Office audit of military pay records, and (4) the military pay and allowance error detection and reduction program.

The Administrative Examination of Military Pay Records

The administrative examination of military pay records consists of insuring that closed pay records are (1) properly balanced, (2) sampled for arithmetical accuracy of computations, (3) examined for correctness and propriety of entries, and (4) compared with related copies of new pay records. The official purpose of administratively examining closed pay records is to " . . . discover errors and areas of error, to initiate timely corrective action, thereby providing for early adjustment of errors discovered, prevent recurrence of errors which result from misinterpretation of instructions and to strengthen the system of internal controls."[2]

Unofficially, the administrative examination of military pay records has been adeptly described as follows:

> A program for the timely and continuing assurance that each member receives what is rightfully due him for services rendered. On the other hand, the disbursing officer looks upon this program as being a program which reassures him that payments made by him have been properly handled; or, if such be the case, errors and error trends discovered in his accounts and brought to his attention by the examination personnel will permit prompt adjustment of errors; provide a guide for prevention of the errors in the future; and serve as a basis for necessary training and indoctrination of disbursing personnel. To individual commands, the oral and written reports of examinations provide a professionally accurate answer to the question of how well the disbursing officer is doing. Additionally, the reports of the examinations identify errors caused by personnel officers, thus permitting command action with respect to the

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[2]U. S., Department of the Navy, Bureau of Supplies and Accounts, Administrative Examination Procedures Handbook, BUSANDAINST 7220.7, August 29, 1957, p. 1A-1.

> officers and men responsible for accurate maintenance of service records, order writing, and all other items having a direct or indirect bearing upon military pay. To the Comptroller of the Navy, the program represents an effective tool for carrying out the responsibility for "securing a proper administrative examination" of military pay and allowances and it is a device for gathering detailed error statistics for study by those people engaged in administration of technical disbursing manuals and promulgation of directives relating to disbursing. To the General Accounting Office, the program is a corollary to their audit actions. Thus, the program for administrative examination of military pay matters is many things to many people, Also, . . . administrative examination personnel discovered errors and initiated adjustment actions [during fiscal 1958] which resulted in restoring to Navy members approximately one quarter million dollars in underpayments which was rightfully due them.[3]

Administrative examinations of military pay records are conducted by personnel of the Navy Finance Center and the Navy Regional Accounts Offices. The Navy Finance Center performs an administrative examination of all regularly closed Navy pay records received directly from vessels afloat and activities overseas, irregularly closed Navy pay records from all sources, and the closed pay records of Naval Reserve personnel. Each Navy Regional Accounts Office performs an administrative examination of all regularly closed Navy pay records received from disbursing officers assigned within the geographical area of that office.

At present, the Assistant Comptroller of the Navy, Accounting and Finance is responsible for the conduct of administrative examinations of military pay records; however, it is anticipated that this responsibility will soon be assigned

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[3] Marvin D. Smith, "Administrative Examination--A Control to Insure Financial Integrity," a report prepared for the Navy Comptroller Review, January 16, 1959, pp. 17-19.

to the Assistant Comptroller of the Navy, Audit.[4] In an unpublished memorandum from the Comptroller of the Navy to the Secretary of the Navy, the Comptroller of the Navy expressed his opinion that the audit of military pay records and supporting vouchers by Navy Regional Accounts Offices was properly within the jurisdiction of the Assistant Comptroller of the Navy, Audit.[5]

On-Site Examination of Military Pay Records

On-site examinations of military pay records are conducted by personnel of Navy Regional Accounts Offices. Selected personnel from the Navy Regional Accounts Offices visit the disbursing activities within their geographical areas once each pay record period to determine, in general, "whether entitlement, substantiation, credit, and payment of military pay and allowances were made in accordance with administrative regulations and procedures."[6] Navy Regional Accounts Offices, when possible, also conduct on-site examinations semiannually of military pay records maintained aboard ships. Visits to ships for this purpose are coordinated with the appropriate type commander and with the commanding officer of the ship.

It is apparent that the ultimate purpose of conducting

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[4] Personal interview with N. P. Cassidy, Assistant Comptroller of the Navy, Accounting and Finance, February 16, 1959.

[5] "Management Control and Fund Responsibility for Navy Regional Accounts Offices and Navy Accounts Disbursing Offices," memorandum for the Secretary of the Navy from the Comptroller of the Navy, August 27, 1958. (Mimeographed).

[6] U. S., Department of the Navy, op. cit., BUSANDAINST 7220.7, pp. 4c-2.

on-site examinations of military pay records is similar to the purpose of conducting administrative examinations of military pay records. The significant distinguishing features between these two types of examinations are:

1. Only Navy Regional Accounts Offices conduct on-site examinations. Administrative examinations are conducted by both Navy Regional Accounts Offices and the Navy Finance Center.

2. On-site examinations audit "active" pay records; administrative examinations audit "closed" pay records.

3. On-site examinations involve scientific sampling techniques; therefore, only those pay records in the sample undergo an on-site examination. Every pay record eventually undergoes an administrative examination.

4. On-site examinations are conducted at the site of the naval activity; administrative examinations are conducted at the Navy Regional Accounts Offices or Navy Finance Center. On-site examiners, therefore, can review such areas as (1) internal controls and procedures, (2) adequacy of on-the-job training, (3) systems for indoctrinating personnel, and (4) other areas which in the opinion of the on-site examiners have a direct bearing on the detected errors.

5. The on-site examination is intended to provide immediate, "on-the-spot," assistance to Navy disbursing officers. Administrative examinations provide "after-the-fact" assistance to Navy disbursing officers.

The Assistant Comptroller of the Navy, Accounting and Finance is responsible for the conduct of on-site examinations

of military pay records. This official does not anticipate that this responsibility will be transferred to the Assistant Comptroller of the Navy, Audit.[7]

Navy Area Audit Office Audit of Military Pay Records

There are five Navy Area Audit Offices under the management control of the Comptroller of the Navy. These offices are located in the following cities:

1. New York, New York.
2. Norfolk, Virginia.
3. San Diego, California.
4. San Francisco, California.
5. Washington, District of Columbia.

The responsibility for the organization and administration of the Navy Area Audit Offices has been assigned to the Assistant Comptroller of the Navy, Audit.

Navy Area Audit Offices schedule a surprise audit of the accounts of each disbursing officer ashore within the continental United States at least once each fiscal year. This audit provides sufficient coverage to verify the cash account and permit general conclusions regarding the condition of disbursing operations.

The Comptroller of the Navy has arranged a similar surprise audit of the accounts of each disbursing officer afloat

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[7]Personal Interview with N. P. Cassidy, Assistant Comptroller of the Navy, Accounting and Finance, February 16, 1959.

and ashore beyond the continental limits of the United States; however, these audits are conducted under the direction of appropriate type commanders or area commanders.

Navy Error Detection and Reduction Program

For Military Pay and Allowances

> The Navy Error Detection and Reduction Program was established by the Comptroller of the Navy . . . as a part of his responsibility for technical control over accounting and disbursing, including military pay, allowances, and travel. The objectives of this program are to reduce by all reasonable means, and to maintain at a minimum, the number of errors in military pay, allowances and travel; and to detect individual errors at the earliest moment and correct them promptly.[8]

One of the major results of this program is a semiannual report containing an analysis of the status, extent, and trend of erroneous payments to Naval personnel. This report contains statistical data about errors discovered by the General Accounting Office, the Navy Finance Center, and the Navy Regional Accounts Offices. The data contained in this report are used as the basis for determining the need for clarifying or simplifying instructions or procedures, modifying the Navy Pay System, or recommending amendatory legislation.

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[8] U. S., Department of the Navy, Office of the Comptroller of the Navy, Navy Error Detection and Reduction Program for Military Pay and Allowances, NAVEXOS P-1717, October 1, 1958, p. v.

CHAPTER VI

MORALE FACTORS INHERENT IN THE NAVY PAY SYSTEM

The purpose of this chapter is to highlight some of the more important morale factors inherent in the Navy Pay System. Financial worries adversely affect an individual's ability to perform assigned duties effectively. Therefore, it is essential that the Navy Pay System be as effective as possible not only to protect the United States Government against financial loss but to help maintain high morale in the Navy's combat forces.

The Secretary of the Navy and the Comptroller of the Navy are concerned about the effects an ineffective Navy Pay System can have on morale. This is evidenced by the following excerpts from official publications:

> Improper and illegal payments have an adverse effect on morale. Credits of pay and allowances because of hasty decision, inadequate records, or incorrect application of instructions usually results in checkages. Repayment of money long since spent inevitably causes anguish and discontent. Those who do not receive a special allowance which is credited to others without full compliance with requirements or who see that others are permitted to retain such allowances feel that they have been discriminated against.[1]

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[1] U. S., Department of the Navy, Office of the Secretary of the Navy, Command Responsibility Concerning Entitlement to Pay and Allowances, SECNAVINST 7220.13, September 12, 1955, p. 2.

> The continued checkage of aviation pay credited to personnel who have performed all the requirements asked of them and who received the pay in good faith, but where the administrative personnel have failed to properly carry out their duties, will have a very harmful effect on morale. The effect cannot be localized to the isolated command but will spread throughout the entire aviation establishment.[2]

One of the favorable morale devices of the Navy Pay System is the allotment system. A member of the Naval service may arrange to have certain sums of money withheld from his regular pay each month and the Navy Finance Center will insure that these sums are forwarded to a designated payee. Most members of the Naval service have one or more allotments. There is a restriction as to the number of allotments that a service member may have on his pay record; however, this number is usually sufficient for most purposes.

Another feature of the Navy Pay System that contributes to high morale is the system's flexibility. The following two events illustrate the necessity for flexibility in a pay system serving combat forces.

> When a recent explosion occurred on U.S.S. SILVERSTEIN, [a United States Navy destroyer] the disbursing clerk was injured and the ship's disbursing officer found himself in the middle of the semi-annual cut-over of pay records and implementing the new pay bill without a trained disbursing clerk.
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> With all this, plus an impending deployment ahead, an appeal was made to the Officer-in-Charge, Navy Regional Accounts Office, Pearl Harbor, for assistance. N.R.A.O. [Navy Regional Accounts Office] arranged to take over SILVERSTEIN'S pay records and travel claims on 5 June and perform all disbursing services until the end of the month, thereby helping SILVERSTEIN'S supply officer, . . . with his disbursing problems. This expert assistance also allowed him more time to devote to other supply duties

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[2] U. S., Department of the Navy, Office of the Comptroller of the Navy, Pay Problem Area- Aviation Pay, NAVCOMPTNOTICE 7220, February 4, 1956, p. 4.

while getting his department in shape for scheduled deployment.[3]

> The disbursing officer was called . . . on a Saturday afternoon just 2 days prior to regular payday and notified that 3 officers were being transferred immediately to Taipei, Formosa, for 90 day's temporary duty.
>
> He [the disbursing officer] then cancelled the regular payday checks which had already been processed for regular payday; and refigured the amount of pay due for 13 days. When the officers arrived, he paid them, attested the pay records and received a receipt for the records.
>
> In less than an hour the officers were happily on their way, knowing that their families would have the necessary funds to carry them through until they could arrange to have money sent back home.[4]

One of the unfavorable aspects of the Navy Pay System that causes an adverse morale problem is the fact that over a half-million new Military Pay Records must be opened semi-annually. This requirement places an extremely heavy workload on disbursing personnel during the months of December, January, June, and July. These months are desirable vacation periods and, unfortunately, disbursing personnel are seldom permitted to take annual leave during these months.

The Comptroller of the Navy is aware of the effects of the Military Pay Record "cut-over period" on the morale of both civilian and military disbursing personnel. The Military Pay Division and the Navy Finance Center have both conducted periodic studies to seek an improvement in this unfavorable aspect of the Navy Pay System. The more important conclusions reached

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[3] U. S., Department of the Navy, Bureau of Supplies and Accounts, "NRAO Pearl Provides Emergency Help to SILVERSTEIN," Monthly Newsletter, September, 1958, p. 33.

[4] R. A. Myers and V. S. Allen, "NADO Renders 'Jet-Age' Service," Monthly Newsletter, January, 1959, p. 24.

from these studies are that the present system facilitates appropriation accounting, budgeting, tax reconciliation, and other accounting functions. At the present time, the Comptroller of the Navy is considering the feasibility of designing a Military Pay Record that can be used for twelve months in lieu of six months. If such a pay record were adopted, it is quite possible that there would not only be improved morale among disbursing personnel but savings in manpower, time and money.

CONCLUSIONS

1. The amount of funds expended each year through the Navy Pay System is approximately twenty-one percent of the total Navy budget. The amount of planned expenditures through the Navy Pay System from the appropriation "Military Personnel, Navy" for the fiscal year 1959 is expected to be the largest amount expended from any one Navy appropriation.[1] The role of the Comptroller of the Navy in the administration of the Navy Pay System must then, because of the vast amount of expenditures involved, be recognized as one of his most important functions. Perhaps the Comptroller of the Navy's role in the administration of the Navy Pay System is second in importance only to his role in the preparation of the Navy Budget.

2. The recent placement of the Navy Regional Accounts Offices, Navy Accounts Disbursing Offices, the Navy Officers Accounts Office, and the Navy Finance Center under the management control of the Comptroller of the Navy appears to have been sensible and logical. The Comptroller of the Navy now has not only technical control over the Navy Pay System but management control of the principal naval activities through which the Navy Pay System operates. The Comptroller must not only provide

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[1] U. S., Department of the Navy, Office of the Comptroller of the Navy, op. cit., Navy Budget . . . , p. 22.

technical guidance for the operation of the Navy Pay System, he must operate the system. The Comptroller must now "live" more closely with his own technical guidance.

3. The placement of the Navy Regional Accounts Offices, Navy Accounts Disbursing Offices, the Navy Officers Accounts Office, and the Navy Finance Center under the management control of the Comptroller of the Navy should strengthen the controls of the Navy Pay System. One of the first steps about to be taken towards strengthening controls is to place the responsibility for conducting administrative examinations of Navy pay records under the Assistant Comptroller of the Navy, Audit. This transfer of responsibilities is most appropriate since the policy of the Department of Defense and the Secretary of the Navy is that the Comptroller of the Navy shall conduct all internal audits.

4. There are important morale implications inherent in the administration of the Navy Pay System. Now that the Comptroller of the Navy is, in effect, operating the Navy Regional Accounts Offices, Navy Accounts Disbursing Offices, the Navy Officers Accounts Office, and the Navy Finance Center, the Comptroller will be playing a greater role in maintaining the morale of Navy personnel.

5. The Comptroller of the Navy is establishing an electronic processing center at the Navy Finance Center; therefore, it is conceivable that the Navy Finance Center may be assigned tasks other than those associated with disbursing matters. For example, the Navy Finance Center might be assigned the task of compiling the Navy budget.

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